



STATE OF CALIFORNIA  
**CONSUMER POWER AND CONSERVATION  
FINANCING AUTHORITY**

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## **MEMORANDUM**

**DATE:** May 7, 2002

**TO:** California Power Authority Board of Directors

**FROM:** Staff

**SUBJECT:** *Action Item 2A: Certified Bond Underwriters*

Consideration and possible approval of a pool of certified underwriters to assist the CPA in bond financing.

The item also requests that staff may bring forth recommendations for specific underwriters for one or more of the following projects:

- San Francisco International Airport Project
- Public Agency Loan Pool
- Advanced Metering Program

### **Action Requested**

The California Power Authority (CPA) and the State Treasurer's Office (STO) have been engaged in a process to select a set of underwriters for future financings for the CPA. While a number of projects are still in developmental stages, we want to be able to act quickly when a project reaches the financing stage.

RFQs for Senior Managing Underwriter were sent out to a set of firms that (a) were already pre-qualified on the STO's underwriter list; (b) were active and experienced in power financings; (c) active and experienced in the California market; and (d) maintained offices in California. A total of thirteen RFQ's were sent out; twelve responses were received.

We requested information about firm qualifications; suggested approaches to certain project concepts; possible conflicts of interest, and other issues. Responses were reviewed by STO staff, CPA staff, and the CPA's financial advisor. The CPA's General Counsel also reviewed information received about conflicts of interest.

Based on the quality of responses that were received and the qualifications of the firms, we recommend the following:

- That a pool of firms for Senior Managing Underwriter for CPA financings be established. The firms to be included in the pool are:

Bear Stearns	JP Morgan Chase	Morgan Stanley
EJ De La Rosa	Lehman	Salomon Smith Barney
Goldman Sachs	Merrill Lynch	UBS PaineWebber

- We recognize the possibility of conflicts, particularly for project financings. We intend review any project assignments for conflicts. This will be the responsibility of the CPA's General Counsel, and will be reviewed at the time of each project assignment.
- We plan to use qualified participants in the STO underwriters pool for co-managers as appropriate. Public power had not previously been an area for firms to designate an interest. Therefore, we are working with the STO to solicit the interest of other firms in the pool to serve in that capacity.

**Staff recommends approval.**